

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02 OMB-01
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TO SECSTATE WASHDC 5776
INFO AMEMBASSY OTTAWA
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C O N F I D E N T I A L BRUSSELS 06240

USEEC

E.O.11652:GDS
TAGS: ETRD, CA, GATT, EEC
SUBJECT: EC-CANADA: CONSULTATIONS ON FOOTWEAR

REFS: (A) STATE 76604, (B) BRUSSELS 1722

1. MISSION OFFICER CALLED ON HORST KRENZLER, US AND CANADA DESK OFFICER, ON MARCH 29 TO SEEK DETAILS OF SECOND EC-CANADA ARTICLE XIX CONSULTATION ON FOOTWEAR WHICH TOOK PLACE IN OTTAWA DURING PRESIDENT JENKINS VISIT EARLIER THIS MONTH. KRENZLER, WHO PARTICIPATED IN THE CONSULTATIONS, SAID THAT EC REMAINED DISSATISFIED WITH CANADIAN ACTION AND WITH EXPLANATION PROVIDED SO FAR ON HOW QUOTA SYSTEM IS SUPPOSED TO OPERATE. HE SAID THAT FURTHER CONSULTATIONS WILL PROBABLY TAKE PLACE IN THE FIRST HALF OF MAY AND THAT THE COMMISSION HAS BEGUN A PRELIMINARY PROCESS OF IDENTIFYING POSSIBLE ITEMS ON WHICH TO RETALIATE SHOULD THIS BECOME NECESSARY.

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2. IN OTTAWA CONSULTATIONS, EC REPEATED ITS REQUEST THAT THE QUOTA BE ASSIGNED ON A REGIONAL, RATHER THAN GLOBAL, BASIS. EC IS CONCERNED THAT, UNDER GLOBAL QUOTA, CANADIAN IMPORTERS MAY CHOOSE TO MAKE INCREASED PURCHASES OF FAR EASTERN FOOTWEAR AT EXPENSE OF EC SUPPLIERS. KRENZLER STATED THAT ACTUAL IMPORT FIGURES AVAILABLE AT TIME OF CONSULTATIONS WERE INSUFFICIENT TO SHOW WHETHER

THIS WAS HAPPENING OR NOT. EC ALSO COMPLAINED THAT QUOTA WAS STATIONARY OVER THREE-YEAR PERIOD WITH NO PROVISION FOR GROWTH.

3. EC SIDE SOUGHT CLARIFICATION FROM CANADIANS ON WHAT REMOVAL OF HIGH-FASHION FOOTWEAR WOULD MEAN IN PRACTICAL TERMS AND OBTAINED NO SATISFACTION. CANADIANS SAID THAT HIGH-FASHION FOOTWEAR WOULD NOT BE IDENTIFIED BY PRICE ALONE BUT THROUGH SOME COMBINATION OF PRICE, DESIGNER NAME, COUNTRY OF ORIGIN AND OTHER FACTORS. EC TOLD CANADIANS THAT THIS WOULD GIVE THE TRADE NO POSSIBILITY TO KNOW IN ADVANCE WHETHER SPECIFIC FOOTWEAR QUALIFIED FOR HIGH-FASHION EXCLUSION. KRENZLER ASKED IF US CONSULTATIONS ON MARCH 15 HAD GONE INTO DETAIL ON THIS QUESTION. MISSION WOULD APPRECIATE WHATEVER ADDITIONAL INFO WASHINGTON CAN PROVIDE.

4. EC ALSO SOUGHT CLARIFICATION ON PROCEDURE FOR APPLYING FOR USE OF QUOTA RESERVE IN "HARDSHIP CASES". AGAIN, ACCORDING TO KRENZLER, CANADIANS FAILED TO PROVIDE CLEAR ANSWER ON PRECISELY WHAT STEPS NEEDED TO BE TAKEN.

5. KRENZLER STATED THAT COMMISSION IS UNDER PRESSURE FROM SOME MEMBER STATES TO MOVE IMMEDIATELY TO RETALIATION BUT THAT COMMISSION PREFERS TO CONTINUE CONFIDENTIAL

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CONSULTATIONS AT THIS TIME. HE ADDED THAT EC REMAINS INCENSED AT CANADIAN FOOTWEAR ACTION BECAUSE OF PRESSURE IT HAS GENERATED IN EUROPEAN INDUSTRY FOR SIMILAR ACTION. HE EXPRESSED THE HOPE THAT US AND EC COULD KEEP EACH OTHER INFORMED OF PROGRESS IN CONSULTATIONS WITH CANADA ON THIS QUESTION. MORRIS

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